



NIWA

Taihoru Nukurangi

**SCIENCE
FOR A
RESILIENT
FUTURE**



Half Yearly Report

for the six months ended 31 December 2020

Overview

NIWA has had a strong start to the financial year, and at the half year stage is well ahead of budgeted revenue and profit. This position is largely due to projects carried over from the last financial year due to COVID-19 delays and additional work for the RV *Tangaroa*. Costs to date are close to budget.

All the science and support performance indicators outlined in the 2020/2021 Statement of Corporate Intent are on track. Progress has been made on advancing NIWA's Future Property Programme, the design of a replacement vessel for RV *Kaharoa* and a commercial-scale recirculating aquaculture system for the culture of high-value finfish, partnerships with Māori and the establishment of a leadership development and succession programme to grow NIWA's future leaders.

A number of significant science advances were achieved over the past six months, as outlined in this report. These include the extension of the Aotearoa New Zealand tsunami dart buoy network, new environmental forecasting services to predict climate and weather-related hazards, impacts and risks across New Zealand, co-developed plans with iwi for the restoration of taonga species, and growing the market value of cultured kingfish.

With the Government announcement on 11 August 2020 of elevated national Alert Levels in response to community transmission of COVID-19, NIWA moved quickly and effortlessly to operating remotely in Auckland under Level 3 and reinstated NIWA Level 2 protocols and processes across all other regional sites. Overall, NIWA's operations moved seamlessly between Alert Levels, and work productivity levels were maintained.

Financial Results

NIWA achieved revenue of \$86.0M in the first six months (including COVID-19 Response and Recovery Funding of \$8.3M). This result was \$9.2M above budget and \$17.1M above the same period last year. This position reflects the significant number of projects carried over from FY20 due to delays caused by the COVID-19 lockdown. In addition, NIWA's largest ocean-going research vessel, RV *Tangaroa*, has been at sea 18 days more than budgeted.

Total expenditure of \$72.8M was approximately equal to budget, notwithstanding the higher revenue, resulting in a profit before tax result of \$13.2M, compared with a budgeted profit before interest and tax of \$4.1M. Profit after tax for the year to date was \$9.6M, compared with a budget of \$3.0M.

The closing cash balance and short-term investment balance of \$61.4M was \$10.8M above budget as cash continues to be carefully managed to ensure that NIWA's planned strategic investments are not put at risk. The cash balance has increased by \$9.2M during the first half of the year due to operating cash flows from profit and working capital management being higher than capital spending.

Capital spending for the period was \$10.3M against a budget of \$11.6M. The variance was due to differences compared to budget assumptions in the timing of investment spending during the year.

While NIWA is in a stable position for the year, this position partly reflects the unusually large volume of work brought forward from the prior year. NIWA continues to experience significant headwinds in the market for commercial work as funding for our key public sector customers remains constrained in a difficult economic environment. This will be an area of focus for NIWA's management and Board over the coming year so as to mitigate risks to revenue in FY22 and beyond.

Financial KPIs

NIWA's financial KPIs for the first half of the year are all ahead of the budget set out in the Statement of Corporate Intent. This is largely due to the strong revenue position, as outlined above.

Ratios and Statistics as at 31 December 2020

	Actual Year to date	SCI Year to date	SCI Full year
Revenue and other gains (\$000s)	86,041	76,838	159,820
Liquidity			
Current ratio	1.6	1.8	1.9
Quick ratio (aka Acid test)	3.5	4.7	3.6
Profitability (%)			
Adjusted return on equity*	8.4	2.7	6.0
Return on equity	7.0	2.3	5.0
Return on assets	6.5	2.1	4.9
Operational risk (%)			
Profit volatility	16.1	18.7	18.7
Forecasting risk (non-adjusted ROE)	2.4	1.9	1.9
Coverage			
Interest cover	N/A	N/A	N/A
Growth/Investment (%)			
Capital renewal	109.7	115.3	122.3
Financial strength (\$000s)			
Cash and other short-term investments	61,384	50,569	43,906

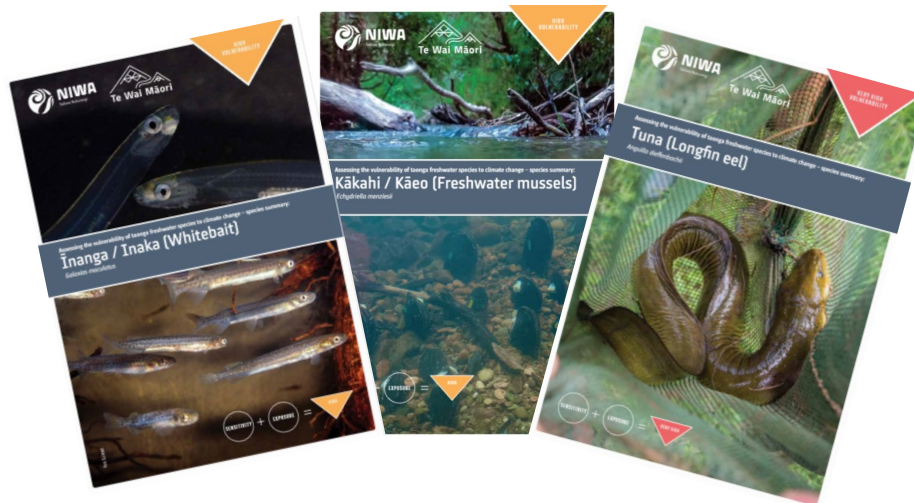
*Agreed with Officials after adjustment in 2006/07 for restatement of certain land and buildings cost figures.

NIWA Science Achievements

Significant advancements in co-developed taonga species research

NIWA recently co-developed a kōura (freshwater crayfish) restoration plan for Ngāti Tahu Ngāti Whaoa. This is the first plan of its kind and the first step towards restoring the health and wellbeing of kōura populations in the Waikato River catchment, as well as the connection between the Ngāti Tahu Ngāti Whaoa people and their taonga species. The plan outlines the importance of kōura to the Ngāti Tahu Ngāti Whaoa people, identifies key pressures on populations, introduces a variety of tools that whānau can use to help restore kōura, and provides guidance around designing packages of kōura restoration approaches that meet the needs of specific locations and outcomes sought. This complements and connects with the Ngāti Tahu Ngāti Whaoa Iwi Environmental Management Plan and their mahinga kai-focused work programme. The work programme seeks to increase the distribution and abundance of kōura, as well as the interactions of Ngāti Tahu Ngāti Whaoa tamariki and rangatahi with this taonga species.

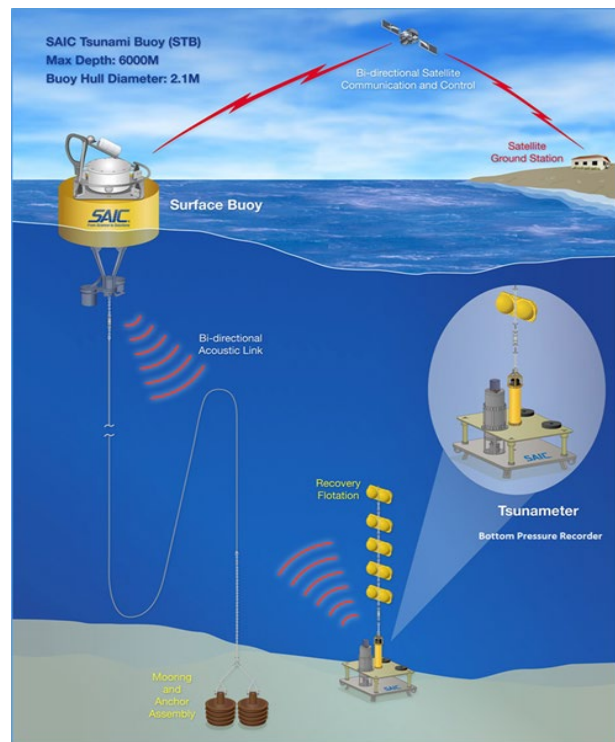
The first freshwater taonga species Climate Change Vulnerability Assessment is now publicly available. NIWA, partially funded by the Te Wai Māori Trust, identified seven taonga freshwater species native to Aotearoa New Zealand that are highly or very highly vulnerable to the impacts of climate change. NIWA, in collaboration with Te Wai Māori Trust and Te Ohu Kaimoana, created a package of resources that are now freely available via the Te Wai Māori Trust and NIWA websites: waimaori.maori.nz/vulnerability-assessment-reports-for-freshwater-taonga-species-to-climate-change/. This package of resources was formally launched via a live webinar that is available on the Te Wai Māori Trust Facebook page www.facebook.com/tewaimaori/. More than 1,000 people marked their interest in the event and our webinar has had more than 800 views, reaffirming the importance people place on the health and abundance of our taonga species.



Extension of tsunami DART buoy network

In August a NIWA-led voyage on RV *Tangaroa* successfully completed the deployment of the Deep Ocean Assessment and Reporting of Tsunami (DART) buoy network along the Kermadec–Tonga Trench to improve the accuracy and detection of tsunami risk to New Zealand and its Pacific island neighbours. When complete, the network will be the second most extensive tsunami warning system in the world and provide an unprecedented capability for the real-time detection of tsunamis in the Southwest Pacific.

The network is supported through the National Emergency Management Agency (NEMA). NIWA has been contracted by NEMA to operate and maintain the DART buoy network, while GNS Science has been contracted to receive the network data and provide a 24/7 tsunami warning system. The buoys are manufactured and supplied by the US company Science Applications International Corp (SAIC), who have also assisted with deployments. The aim of the August voyage was to deploy five DART buoys from off the Wairarapa coast to about 250 miles northwest of Niue. While the voyage was delayed by several days, due to the late arrival of the buoys from the US for testing and commissioning at the NIWA Wellington site, four of the five buoys were successfully deployed. *Tangaroa* was unable to deploy the fifth buoy north of East Cape because of rough weather. This buoy will now be deployed early next year along with the remaining three buoys of the network in the New Caledonia region.



A tsunami detection buoy. The DART 4G system comprises a bottom pressure sensor (BPR) (the grey cylinder), mounted on a platform with a release mechanism (yellow cylinder) with attached flotation (the yellow spheres). The surface buoy is anchored to the seafloor. Communications between the BPR and the surface buoy is via an acoustic transducer attached to the BPR. The pressure change in the water column above the BPR is detected when a tsunami passes over it. This information is relayed to the surface buoy that contains the necessary electronics and Iridium satellite systems for telecommunication of the data to shore.

Tangaroa survey of the Kaikoura Canyon

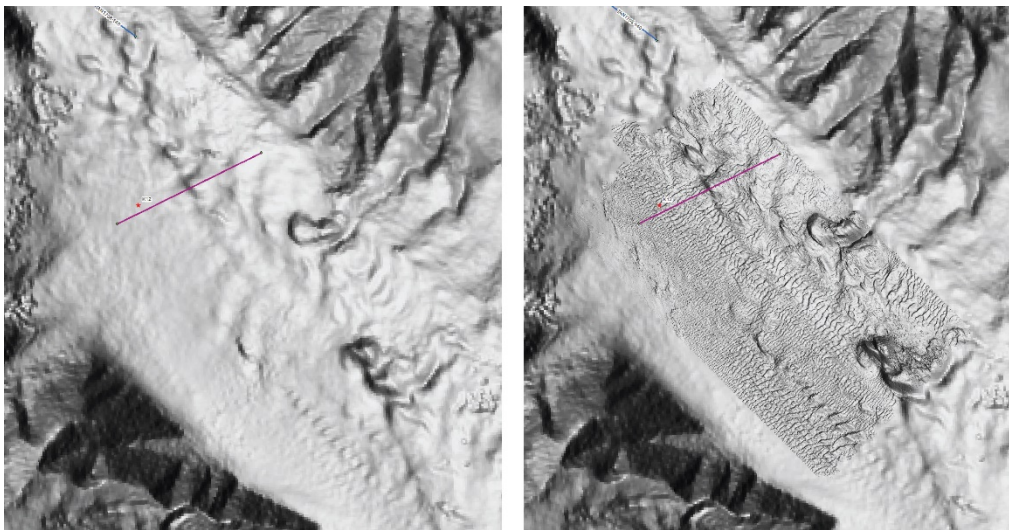
In October 2020 RV *Tangaroa* successfully completed a complex 27-day voyage using an Autonomous Underwater Vehicle (AUV) to research the impacts of the 2016 Kaikoura earthquake on the Kaikoura Canyon. The six-metre-long AUV was on loan from Sweden's Gothenburg University, and is one of the most sophisticated pieces of ocean technology to be operated in New Zealand waters. The mobilisation, transportation, operational costs and technicians required to operate the AUV were covered through an international arrangement for sharing scientific equipment, the marine research alliance Eurofleets+.



Installation of the 9.5-m-long launch and recovery system on the Tangaroa trawl ramp (left), and the AUV on deck with the workshop and control containers (right).

Two previous NIWA surveys discovered that large areas of the Kaikōura Canyon were drastically changed by the 2016 earthquake. They showed that an enormous amount of mud and sediment – estimated to be about 850 million tonnes – had been shaken off the canyon rim and had flowed into the canyon channel, causing a powerful ‘flushing’ of sediment out to the deep ocean. The 14 successful missions of the AUV will help determine the processes behind the removal of such large amounts of sediment and rock from the canyon and identify any recovery of the original biologically diverse seafloor communities.

This highly successful voyage also hosted three representatives of local Iwi and welcomed a shore-based delegation onto the vessel for a tour and lunch during the voyage. Feedback has indicated that the iwi was immensely grateful for the opportunity to participate on the voyage and witness first-hand the research being undertaken.



Difference in canyon seafloor topography resolution between Tangaroa multibeam (left) and AUV image (right).

Environmental forecasting

A major strategic focus of NIWA’s research over the past two decades has been to model, predict and communicate climate and weather-related hazards, impacts and risks across New Zealand. The impacts of climate and weather influence our societal wellbeing, economy and environment, and are increasing in response to a changing climate. These impacts include weather hazards (floods, droughts, damaging storms, avalanches, fires), variable water quality and quantity, levels of air pollution and greenhouse gas emissions, dispersion of volcanic ash, infectious diseases and pests, renewable energy generation (wind, solar, hydro, waves), primary production, transport operations (ports, railways, roading), recreational activities and environmental management. Research on these impacts has required the ongoing refinement and use of world-class numerical weather prediction and regional climate models, both researched and operationally run using NIWA’s high-performance computing facility.

Advances in the resolution and accuracy of our weather and climate forecasting research are now being applied and benefiting two new users, Emirates Team New Zealand and the Department of Conservation.



NIWA support of the America's Cup

In support of Emirates Team New Zealand, NIWA has provided supercomputing-based analysis of past environmental conditions, predictions of future weather and model outputs of the ocean currents for the Hauraki Gulf region. This information has provided input into the race vessel design, and vessel testing and crew training on the water.

NIWA developed a bespoke service to support pre-race briefings and decision making based on wind forecasts at extremely high resolutions of 333 metres and current and wave forecasts at 76-metre resolution. These forecasts were provided to Emirates Team New Zealand for the December World Series races and will be provided for the final cup races.

NIWA has also supplied weather graphics for TVNZ's pre-regatta coverage of the America's Cup events, and model wind forecast data to Animation Research Ltd (ARL) for augmented reality visualisation of the racing events.

Mountain forecasting for the conservation estate

NIWA has entered into a six-year contract with the Department of Conservation (DOC) to provide a high-resolution environmental forecasting service for the mountain regions they administer. This service will use a new and improved public website to provide automated daily forecasts on an unprecedented range of weather hazards for 70 locations and weather videos for each National Park. DOC staff will have direct access to NIWA's modelling and observations and a 24/7 on-call forecaster for operational decision support. Innovations will include new hazard forecasting products and development of new warning indices to inform hikers of potential weather-related risks.

Minister Parker visit

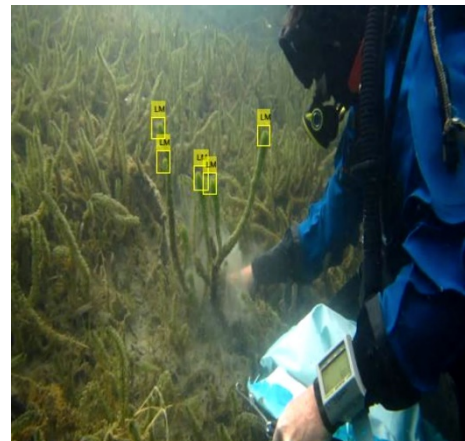
The Minister for the Environment the Hon David Parker visited NIWA's Wellington offices in December 2020 to discuss and observe advances in NIWA's environmental forecasting models in relation to the future management of New Zealand's freshwater resources. Discussions focused on development of the New Zealand water model (NZWaM) within our forecasting system and its potential use in the guidance of water allocation and its potential to assist with water quality management. The Minister also visited the high performance supercomputer used to run the forecasting models for research and operational services.



Auto-detection of submerged invasive weeds in freshwater

Maintaining New Zealand’s freshwater biosecurity is an important aim of our Freshwater Environment Platform. To better manage incursions of freshwater invasive species, we have developed software using artificial intelligence that will automatically detect and GPS-locate invasive plants, in real time, from a video camera mounted below a moving surface craft.

After running concept-proving exercises in NIWA’s Ruakura flume facility, we are now training the model to detect the invasive macrophyte *Lagarosiphon* in natural waterways, with very encouraging results (see photograph). Early detection and removal of invasive species is the key to managing these pest species and preventing recolonisation after eradication programmes. This software will greatly increase the ability to do this efficiently.



Weeding a lone *Lagarosiphon* plant from a dense bed of *Elodea* plants. NIWA software has successfully identified and labelled *L. major*, accurately differentiating it from the *Elodea*.

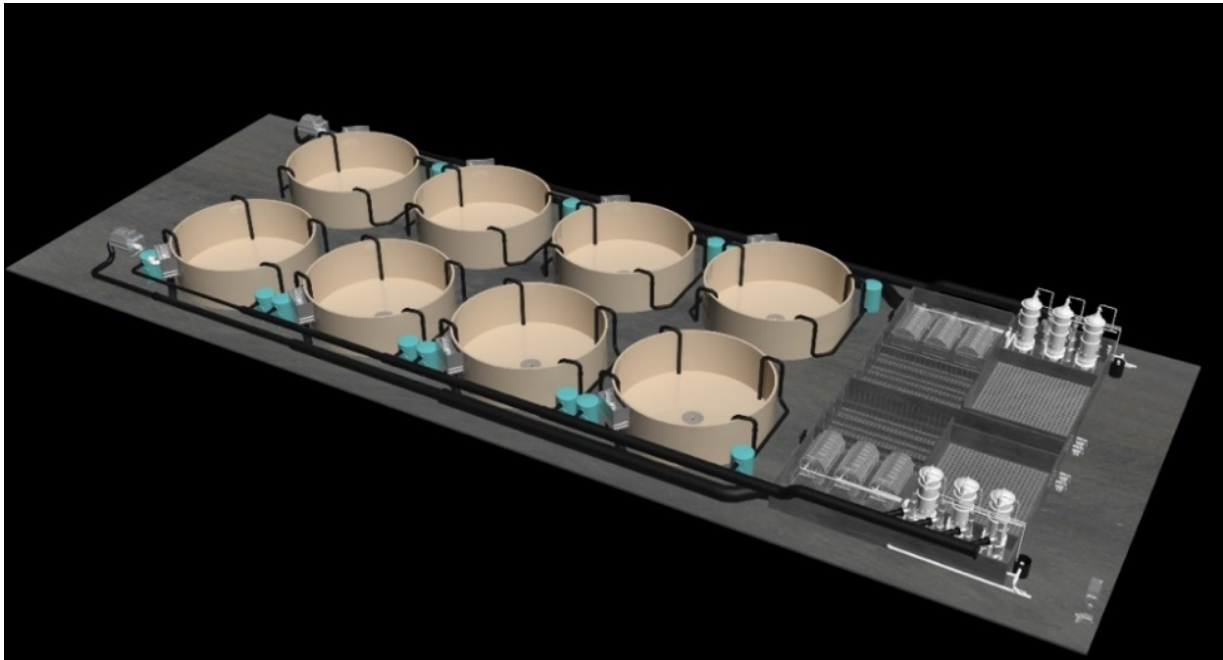
Ruakaka kingfish commercial-scale production

As a result of our ongoing market testing, the demand and sale price for kingfish from NIWA’s Northland Marine Research Centre at Ruakaka continues to grow. We have sold 2,170kg of fish to date this financial year to Leigh Fisheries Ltd for distribution to high-end restaurants in the domestic market (e.g., French Café in Auckland, Three Seven Two on Waiheke Island). We continue to receive excellent feedback on the quality and freshness of our kingfish product, which now fetches a price similar to that of farmed salmon.



Social media post showing NIWA-grown kingfish as served in a restaurant.

The planning and design of the new 600 tonne/annum Recirculating Aquaculture System (RAS) for commercial-scale fish culture research at the Northland Marine Research Centre has been completed, along with a third-party peer review of the design and bill of materials. The final layout of the system has remained similar to previous versions, with two, side-by-side, four-tank modules, each with their own system for advanced treatment of the recirculating water, including mobile bed bioreactors, CO₂ strippers, oxygen injectors, and UV disinfection (see diagram below). With the design and layout phase of the project nearing completion, the project is expected to advance to contracting for construction in March-April 2021.



Diagrammatic representation of the RAS system to be constructed at the NIWA Northland Marine Research Centre.

A refreshed focus on sustainability

NIWA is committed to delivering sustainability-focused approaches that impact, influence or contribute to societal change and the economic and environmental health of New Zealand's resources. We aim to provide the science to help New Zealanders manage the transition to a sustainable future.

This year we are implementing our refreshed Organisational Sustainability Charter and explicitly aligning our principles and practice with the UN Sustainable Development Goals and the NZ Treasury Living Standards Framework. Guidance from the Ministry for the Environment (MfE) included new emissions factors for calculating CO₂ emissions. We have adjusted our previously estimated FY19/20 base year emissions data by applying the MfE factors for assessing our progress towards reducing emissions. The reestablished CO₂ baseline emission is 8,148 tonne p.a.

Barry Harris
Chairman

John Morgan
Chief Executive

February 2021

Statement of comprehensive income for the 6 months ended 31 December 2020

in thousands of New Zealand dollars	Note	6 Months to Dec 20 Unaudited	6 Months to Dec 19 Unaudited	12 Months to Jun 20 Audited
Revenues and other gains	1			
Revenue		86,040	68,909	158,859
Other gains		1	1	1
Total income		86,041	68,910	158,860
Operating expenses	2			
Employee benefits expense		(38,989)	(37,820)	(76,657)
Other expenses		(23,779)	(24,128)	(50,960)
		(62,768)	(61,948)	(127,617)
Profit/(loss) before interest, income tax, depreciation and amortisation		23,273	6,962	31,243
Depreciation		(9,758)	(10,504)	(20,547)
Amortisation		(309)	(473)	(906)
Profit/(loss) before interest and income tax		13,206	(4,015)	9,790
Interest income		311	335	599
Finance expense		(196)	(300)	(407)
Net interest and other financing costs		115	35	192
Profit/(loss) before income tax		13,321	(3,980)	9,982
Income tax credit/(expense)		(3,730)	1,114	(2,612)
Profit/(loss) for the period		9,591	(2,866)	7,370
Other comprehensive income				
Foreign currency translation differences for foreign operations		(13)	(20)	24
Total comprehensive income for the period		9,578	(2,886)	7,394
Profit/(loss) attributable to:				
Parent interest		9,570	(2,830)	7,341
Minority interest		21	(36)	29
Profit for the period		9,591	(2,866)	7,370
Total comprehensive income attributable to:				
Parent interest		9,557	(2,850)	7,365
Minority interest		21	(36)	29
Total comprehensive income for the period		9,578	(2,886)	7,394

The accompanying 'Notes to the financial statements' are an integral part of, and should be read in conjunction with, these financial statements.

Statement of changes in equity for the 6 months ended 31 December 2020

in thousands of New Zealand dollars	Share capital	Retained earnings	Minority interest	Foreign currency translation reserve	Total equity
Balance at 1 July 2019 (Audited)	24,799	101,512	255	(309)	126,257
Profit for the year	–	(2,830)	(36)	–	(2,866)
Translation of foreign operations	–	–	–	(20)	(20)
Total comprehensive income	–	(2,830)	(36)	(20)	(2,886)
Adoption of NZ IFRS 16	–	(3,351)	–	–	(3,351)
Balance at 31 December 2019 (Unaudited)	24,799	95,331	219	(329)	120,020
Balance at 1 July 2019 (Audited)	24,799	101,512	255	(309)	126,257
Profit for the year	–	7,341	29	–	7,370
Translation of foreign operations	–	–	–	24	24
Total comprehensive income	–	7,341	29	24	7,394
Adoption of NZ IFRS 16	–	(1,940)	–	–	(1,940)
Balance at 30 June 2020 (Audited)	24,799	106,913	284	(285)	131,711
Balance at 1 July 2020 (Audited)	24,799	106,913	284	(285)	131,711
Profit for the year	–	9,570	21	–	9,591
Translation of foreign operations	–	–	–	(13)	(13)
Total comprehensive income	–	9,570	21	(13)	9,578
Balance at 31 December 2020 (Unaudited)	24,799	116,483	305	(298)	141,289

The accompanying 'Notes to the financial statements' are an integral part of, and should be read in conjunction with, these financial statements.

Share capital

The Group has issued and fully paid capital of 24,798,700 ordinary shares (2020: 24,798,700 ordinary shares). All shares carry equal voting and distribution rights and have no par value.

Statement of financial position as at 31 December 2020

in thousands of New Zealand dollars	Note	As at Dec 20 Unaudited	As at Dec 19 Unaudited	As at Jun 20 Audited
Equity				
Share capital		24,799	24,799	24,799
Equity reserves		116,185	95,002	106,628
Shareholders' interest		140,984	119,801	131,427
Non-controlling interest		305	219	284
Total equity		141,289	120,020	131,711
Non-current liabilities				
Provision for employee entitlements		903	948	1,019
Lease liabilities		9,950	9,725	9,879
Deferred tax liability		2,824	4,656	2,824
Total non-current liabilities		13,677	15,329	13,722
Current liabilities				
Payables and accruals		9,256	8,691	9,793
Revenue in advance		32,635	28,665	24,633
Provision for employee entitlements		10,182	8,667	9,406
Tax payable		2,754	–	2,922
Lease liabilities		1,952	1,262	1,460
Forward exchange derivatives		46	52	8
Total current liabilities		56,825	47,337	48,222
Total equity and liabilities		211,791	182,686	193,655
Non-current assets				
Property, plant and equipment		110,566	110,410	109,405
Identifiable intangibles		1,318	1,128	1,576
Deferred tax asset		142	158	143
Right-of-use assets		9,543	7,730	8,861
Prepayments		66	55	66
Total non-current assets		121,635	119,481	120,051
Current assets				
Cash and cash equivalents		22,384	13,112	24,173
Other short-term investments		39,000	17,000	25,000
Receivables		7,388	10,623	12,546
Prepayments		3,675	4,051	2,231
Taxation receivable		–	1,471	–
Assets held for sale		245	245	245
Uninvoiced receivables		14,787	13,802	6,834
Inventories		2,677	2,901	2,575
Total current assets		90,156	63,205	73,604
Total assets		211,791	182,686	193,655

The accompanying 'Notes to the financial statements' are an integral part of, and should be read in conjunction with, these financial statements.

Cash flow statement for the 6 months ended 31 December 2020

in thousands of New Zealand dollars	Note	6 Months to Dec 20 Unaudited	6 Months to Dec 19 Unaudited	12 Months to Jun 20 Audited
Cash flows from operating activities				
Cash was provided from:				
Receipts from customers		91,245	82,779	173,719
Dividends received		1	1	1
Interest received		311	334	600
Cash was disbursed to:				
Payments to employees and suppliers		(64,166)	(67,017)	(128,801)
Interest paid		(196)	(300)	(407)
Taxation paid		(3,897)	(2,854)	(3,254)
Net cash inflow from operating activities	3	23,298	12,943	41,858
Cash flows from investing activities				
Cash was provided from:				
Sale of property, plant and equipment		25	2	31
Investments in other term deposits		11,000	5,000	29,000
Cash was applied to:				
Purchase of property, plant and equipment		(10,250)	(5,321)	(13,506)
Purchase of intangible assets		(51)	(162)	(1,043)
Investments in other term deposits		(25,000)	(12,000)	(44,000)
Net cash outflow in investing activities		(24,276)	(12,481)	(29,518)
Cash flows from financing activities				
Cash was applied to:				
Payments for lease principal		(795)	(625)	(1,465)
Net cash outflow from financing activities		(795)	(625)	(1,465)
Net increase/(decrease) in cash and cash equivalents		(1,773)	(163)	10,875
Effects of exchange rate changes on the balance of cash held in foreign currency		(16)	(2)	21
Opening balance of cash and cash equivalents		24,173	13,277	13,277
Closing cash and cash equivalents balance		22,384	13,112	24,173
Made up of:				
Cash		5,257	1,454	1,923
Short-term deposits		17,127	11,658	22,250
Closing cash and cash equivalents balance		22,384	13,112	24,173

The accompanying 'Notes to the financial statements' are an integral part of, and should be read in conjunction with, these financial statements.

Preparation disclosures

Reporting Entity

National Institute of Water & Atmospheric Research Limited ('NIWA' or 'the Company') and its subsidiaries form the consolidated Group ('the NIWA Group' or 'the Group'). NIWA is a profit-orientated company registered in New Zealand under the Companies Act 1993.

The financial statements for the NIWA Group are presented in accordance with the requirements of the Crown Research Institutes Act 1992, the Crown Entities Act 2004, the Public Finance Act 1989, the Companies Act 1993, and the Financial Reporting Act 2013.

Nature of activities

The NIWA Group conducts research and commercial science in water and atmospheric sciences in New Zealand and internationally.

Basis of preparation

The measurement basis adopted in the preparation of these financial statements is historical cost, except for financial instruments as identified in specific accounting policies. Cost is based on the fair value of consideration given in exchange for assets.

The presentation currency of the Group and functional currency used in the preparation of these financial statements is New Zealand Dollars.

Accounting policies are selected and applied in a manner that ensures that the resulting financial information meets the concepts of relevance and reliability, ensuring that the substance of the underlying transaction or event is reported.

The Group's accounting policies have been consistently applied in preparing the financial statements for the six months ended 31 December 2020; and the comparative information for the six months ended 31 December 2019 and the year ended 30 June 2020.

Statement of compliance

The financial statements have been prepared in accordance with New Zealand generally accepted accounting practice (NZ GAAP). They comply with the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable financial reporting standards appropriate for profit-oriented entities.

The financial statements comply with International Financial Reporting Standards (IFRS).

These interim financial statements have been prepared in accordance with the requirements of NZ IAS 34 *Interim Financial Reporting*. They should be read in conjunction with the 2020 annual report.

Accounting judgements and major sources of uncertainty

In the application of the accounting policies, the Group makes judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Comparatives

The financial statements for the six months ended 31 December 2020 and for the comparative six-month period to 31 December 2019 are unaudited. The comparative figures for the year ended 30 June 2020 are audited.

Notes to the financial statements
for the 6 months ended 31 December 2020

1. Revenues and other gains

in thousands of New Zealand dollars	6 Months to Dec 20 Unaudited	6 Months to Dec 19 Unaudited	12 Months to Jun 20 Audited
Research			
Strategic funding	23,632	22,734	49,489
Rendering of services	22,307	16,154	36,041
COVID-19 Response and Recovery Funding	8,270	–	8,270
Commercial science			
Rendering of services	28,954	28,013	60,061
Sale of goods	2,877	2,008	4,998
Dividends	1	1	1
Total operating revenue	86,041	68,910	158,860

2. Operating expenses

Employee benefits

in thousands of New Zealand dollars	6 Months to Dec 20 Unaudited	6 Months to Dec 19 Unaudited	12 Months to Jun 20 Audited
Defined contribution plans	1,623	1,609	3,246
Termination benefits	209	161	203
Other employee benefits	37,157	36,050	73,208
Employee benefit expense	38,989	37,820	76,657

Other expenses

in thousands of New Zealand dollars	6 Months to Dec 20 Unaudited	6 Months to Dec 19 Unaudited	12 Months to Jun 20 Audited
Materials and supplies	4,372	3,698	8,297
Research collaboration	6,410	5,287	13,491
Property occupancy costs	2,255	2,380	4,459
Information technology	3,313	3,916	7,243
Remuneration of directors	131	152	283
Foreign currency (gain)/loss	66	(21)	(105)
Movement within loss allowance provision	–	–	1,487
Bad debts written off	15	–	–
Change in the fair value of derivatives	38	40	(4)
Other expenses	7,088	8,589	15,629
	23,688	24,041	50,780

Auditor's remuneration

in thousands of New Zealand dollars	6 Months to Dec 20 Unaudited	6 Months to Dec 19 Unaudited	12 Months to Jun 20 Audited
Auditor's remuneration comprises:			
Audit of the financial statements (Group)	80	73	151
Audit of the financial statements (Subsidiary)	11	14	29
Total auditor's remuneration	91	87	180

3. Reconciliation of the profit for the period to net cash inflow from operating activities

in thousands of New Zealand dollars	6 Months to Dec 20 Unaudited	6 Months to Dec 19 Unaudited	12 Months to Jun 20 Audited
Profit for the period	9,591	(2,866)	7,370
Add/(less) items classified as investing activities			
Net loss/(gain) on disposal of property, plant and equipment	(18)	6	59
	(18)	6	59
Add/(less) non-cash items			
Depreciation and impairment	9,758	10,504	20,547
Amortisation of identifiable intangibles	309	473	906
Net foreign currency (gain)/loss	3	(17)	5
Increase/(decrease) in deferred tax liability	1	–	–
	10,071	10,960	21,458
Add/(less) movements in working capital items			
Increase/(decrease) in payables and accruals and revenue in advance	7,465	9,324	6,181
Increase/(decrease) in employee entitlements	660	167	977
(Increase)/decrease in receivables and prepayments	3,714	7,475	7,361
(Increase)/decrease in inventory and un invoiced receivables	(8,055)	(8,196)	(902)
(Increase)/decrease in taxation receivable	(168)	(3,967)	(642)
(Increase)/decrease in forward exchange derivatives	38	40	(4)
	3,654	4,843	12,971
Net cash flows from operating activities	23,298	12,943	41,858

4. Related party transactions

The Government of New Zealand (the Crown) is the ultimate shareholder of the NIWA Group. No transactions with other New Zealand Government-owned entities are considered as related party transactions in terms of NZ IAS 24. No related party debts have been written off or forgiven during the year. Any business the NIWA Group has transacted in which a director or an employee has an interest has been carried out on a commercial basis. Any potential conflict is recorded in the minutes of Board meetings for directors and a separate interests register for employees. The interests register containing all relevant interests is updated on a regular and timely basis.

5. Key management personnel compensation

in thousands of New Zealand dollars	6 Months to Dec 20 Unaudited	6 Months to Dec 19 Unaudited	12 Months to Jun 20 Audited
Short-term benefits	1,970	2,006	3,709

The table above includes remuneration of the Chief Executive Officer, Executive Team and the Board of Directors

Chief Executive's remuneration

The Chief Executive's remuneration package that will apply for 2021, together with the comparative information for the prior year, is as follows:

in New Zealand dollars	6 Months to Dec 20 Unaudited	6 Months to Dec 19 Unaudited	12 Months to Jun 20 Audited
Base salary ¹	349,674	353,255	661,116
Benefits ²	30,486	28,482	53,880
Total remuneration	380,160	381,737	714,996

Note 1: Actual salary paid includes holiday pay paid consistent with New Zealand legislation. The base salary for 2021 is \$658,711 (2020: \$658,711).

Note 2: Benefits include KiwiSaver, insurance and vehicle fuel expenses.

The Chief Executive is a member of KiwiSaver. As a member of this scheme, all Group staff, including the Chief Executive, are eligible to contribute and receive a matching company contribution up to a maximum of 5% of gross taxable earnings. In the period to date, the Group's contribution was \$17,737 (2020: \$17,663)

Executive Team remuneration

In addition to the Chief Executive, NIWA's Executive Team consists of eight members. The remuneration package for all Executive Team members combined (excluding the Chief Executive) that will apply for 2021, together with the comparative information for the prior year, is as follows:

in New Zealand dollars	6 Months to Dec 20 Unaudited	6 Months to Dec 19 Unaudited	12 Months to Jun 20 Audited
Base salary ¹	1,353,520	1,345,858	2,470,929
Benefits ²	106,011	129,055	239,932
Total remuneration	1,459,531	1,474,913	2,710,861

Note 1: Actual salaries paid includes holiday pay paid consistent with New Zealand legislation. The base salaries for 2021 total \$2,412,883 (2020: \$2,403,941).

Note 2: Benefits include employer contributions to superannuation schemes (KiwiSaver or legacy government superannuation schemes, as applicable), insurance and wellness allowances.

6. Capital commitments

in thousands of New Zealand dollars	6 Months to Dec 20 Unaudited	6 Months to Dec 19 Unaudited	12 Months to Jun 20 Audited
Commitments for future capital expenditure: Contracted, but not provided for	2,980	2,356	3,334

7. Contingent liabilities

The ground lease over the Hamilton office site includes a clause that requires the site to be restored at the end of the lease. Ongoing negotiations over the future use of the site had meant that it was not yet probable that NIWA would be required to restore the site, therefore no provision for this was included in the financial statements for site restoration. Quantity surveyors had provided an estimate of the costs for restoring the site (including demolition of buildings) which had previously been disclosed below as a contingent liability. Recent negotiations have confirmed that the Group will not be required to restore the site, so a contingent liability is no longer disclosed.

in thousands of New Zealand dollars	6 Months to Dec 20 Unaudited	6 Months to Dec 19 Unaudited	12 Months to Jun 20 Audited
Site restoration lease clause	–	500	–

8. Subsequent events

There are no material events occurring subsequent to 31 December 2020 which require adjustment or disclosure in the financial statements.

National Institute of Water & Atmospheric Research Ltd

Directory

BOARD OF DIRECTORS

Barry Harris (Chairman)
Nicholas Main (Deputy Chairman)
Dr Helen Anderson
Dr Tracey Batten
Prof. Gillian Lewis
Mary-Anne Macleod

EXECUTIVE TEAM

John Morgan, *Chief Executive Officer*
Geoff Baird, *General Manager, Communications & Marketing*
Patrick Baker, *Chief Financial Officer and Company Secretary*
Dr Barry Biggs, *General Manager, Technology & Innovation (until 31 July 2020)*
Dr Bryce Cooper, *General Manager, Strategy*
Dr Mary-Anne Dehar, *General Manager, People & Capability*
Warrick Johnston, *General Manager, Technology & Innovation (from 1 August 2020)*
Dr Rob Murdoch, *General Manager, Research*
Dr Helen Neil, *General Manager, Operations*
Marino Tahi, *General Manager, Māori Strategy & Partnerships*

Auditors

Troy Florence with the assistance of PricewaterhouseCoopers
on behalf of the Auditor-General

Solicitors

Atkins Holm Majurey
Meredith Connell

Bankers

ANZ Bank of New Zealand Ltd
ASB Bank Ltd
Westpac New Zealand Ltd

Insurance Broker

Marsh Ltd

Registered Office and Address for Service

41 Market Place, Auckland Central 1010, New Zealand

www.niwa.co.nz
weather.niwa.co.nz
facebook.com/nzniwa
twitter.com/niwa_nz
twitter.com/niwaweather
linkedin.com/company/niwa
Instagram.com/niwa_science



NIWA

Taihoro Nukurangi

Climate, Freshwater & Ocean Science